

Legislative Testimony in Support of H.B. No. 5445 (RAISED)
AN ACT CONCERNING THE PURCHASE OF AN ANNUITY TO FUND PENSION BENEFITS
Public Hearing, Insurance and Real Estate Committee - March 3, 2016

Mr. Chairman, esteemed Members of the Committee:

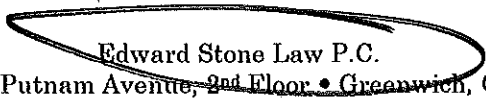
I would like to thank the Committee for holding a public hearing today on this critical issue for retirees. My name is Edward Stone, and I am a Connecticut resident and attorney. I am here today representing the Association of BellTel Retirees, Inc. and ProtectSeniors.org, a retiree advocacy group working to protect the pension and healthcare benefits of thousands of retirees nationwide.

In 2012, Verizon transferred 41,000 retirees out of its defined benefit pension plan into a group annuity contract with Prudential, in a transaction that took away all of the protections intended by Congress under ERISA, leaving the 41,000 subject to a patchwork network of non-uniform state laws. This transaction was accomplished by an amendment to the Verizon defined benefit plan that left the plan intact but offloaded 41,000 individuals who became certificate holders under an allocated group annuity contract that remains owned by a Verizon subsidiary.

Last year Connecticut legislators passed Public Law No. 15-167 providing creditor protections to retirees in pension de-risking transfers. I thank the legislators for being the first state in the nation to take steps to protect retirees in pension de-risking transfers. Connecticut retirees are now fully protected from garnishment actions by creditors and bankruptcy trustees – just like they were as pensioners under their original ERISA protected plan.

However, retirees are still in need of more protections in pension de-risking transfers. Raised Bill 5445 is designed to address many of those needs. Raised Bill 5445 will further protect retirees by requiring certain mandatory disclosures on an annual basis and limiting the future transfer of a group annuity contract to an “entity that maintains a rating equivalent to an A or better from two or more nationally recognized rating agencies.” The purpose of this provision is to prevent a healthy company from transferring retiree benefits to a sick company and putting retirees at risk in the process.

Retirees have a right to know what is happening with their assets and parties to de-risking transactions should be required to inform retirees of any material developments with respect to their future annuity payments on a regular basis. Providing annual disclosures and limiting


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future transfers to a well-capitalized and highly rated annuity provider will help to ensure that retirees will not suffer through an insurance insolvency and its aftermath.

The type of annual disclosures we are looking for are really simple and straight forward. When pension assets are held in a separate account for the benefit of retirees, we believe that the retirees have a right to know how their invested assets are faring. A simple statement that shows changes year over year on an asset class by asset class basis along with an annual "funded status" report relative to expectations and changes in actuarial assumptions, if any, should not fill more than one page and the information is well known to the insurers. In other words, we are not looking to re-invent the wheel or add complexity to an already complex world. We believe that transparency and accountability is in the best interest of retirees, regulators and responsible annuity providers alike.

I urge you to support **Raised Bill 5445 – AN ACT CONCERNING THE PURCHASE OF AN ANNUITY TO FUND PENSION BENEFITS.**

Sincerely,

Edward S. Stone

Dated: March 3, 2016

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